

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

ATMEL CORPORATION, a Delaware
corporation; ATMEL SWITZERLAND, a
corporation; ATMEL FRANCE, a
corporation; ATMEL SARL, a
corporation,

Plaintiffs,

v.

AUTHENTEC, INC., a Delaware
corporation,

Defendant.

No. C 06-2138 CW

ORDER GRANTING IN
PART AND DENYING IN
PART PLAINTIFFS'
MOTION TO AMEND THE
CASE MANAGEMENT
ORDER AND DENYING
PLAINTIFFS' MOTION
FOR LEAVE TO FILE A
SECOND AMENDED
COMPLAINT

Plaintiffs have filed a motion for leave to file a second amended complaint (SAC). Because the deadline for amendment has passed, Plaintiffs have also filed a motion to amend the case management order. Defendant opposes the motions. The motions were submitted on the papers. Having considered all of the parties' papers, the Court grants the motion for leave to amend the case management order in part and denies it in part and denies the motion for leave to file a SAC.

BACKGROUND

Plaintiffs filed this action on March 22, 2006. At the initial case management conference, the Court set November 1, 2006

1 as the deadline to add parties or claims. Docket No. 21. The fact
2 discovery cut off was initially set for June 19, 2007. The fact
3 discovery deadline was extended once by stipulation to September
4 21, 2007 and again by Plaintiffs' motion to December 21, 2007.
5 Plaintiffs filed the instant motions on December 6, 2007. Although
6 Plaintiffs assert that they will need additional discovery to
7 support their proposed claims, they do not move for relief from the
8 December 21, 2007 discovery deadline.

9 LEGAL STANDARDS

10 I. Rule 16

11 Under Federal Rule of Civil Procedure 16(b), "[a] schedule
12 shall not be modified except upon a showing of good cause and by
13 leave of the district judge." Fed. R. Civ. Pro. 16(b). Where a
14 schedule has been filed, the plaintiff's ability "to amend his
15 complaint [is] governed by Rule 16(b), not Rule 15(a)." Johnson v.
16 Mammoth Recreations, Inc., 975 F.2d 604, 608 (9th Cir. 1992). A
17 party seeking to amend a pleading after the date specified in a
18 scheduling order must first show "good cause" for the amendment
19 under Rule 16(b), and second, if good cause is shown, the party
20 must demonstrate that the amendment is proper under Rule 15. Id.

21 In order to determine whether good cause exists, courts
22 primarily consider the diligence of the party seeking the
23 modification. Johnson, 975 F.2d at 609; see also Coleman v. Quaker
24 Oats Co., 232 F.3d 1271, 1294 (9th Cir. 2000). "[N]ot only must
25 parties participate from the outset in creating a workable Rule 16
26 scheduling order but they must also diligently attempt to adhere to
27 that schedule throughout the subsequent course of the litigation."

1 Jackson v. Laureate, Inc., 186 F.R.D. 605, 607 (E.D. Cal. 1999). A
2 party moving for an amendment to a scheduling order must therefore
3 show it was diligent in assisting the Court to create a workable
4 schedule at the outset of litigation, that the scheduling order
5 imposes deadlines that have become unworkable notwithstanding its
6 diligent efforts to comply with the schedule, and that it was
7 diligent in seeking the amendment once it became apparent that
8 extensions were necessary. See id. at 608.

9 II. Rule 15

10 Federal Rule of Civil Procedure 15(a) provides that leave of
11 the court allowing a party to amend its pleading "shall be freely
12 given when justice so requires." Leave to amend lies within the
13 sound discretion of the trial court, which discretion "must be
14 guided by the underlying purpose of Rule 15 to facilitate decision
15 on the merits, rather than on the pleadings or technicalities."
16 United States v. Webb, 655 F.2d 977, 979 (9th Cir. 1981) (citations
17 omitted). Thus, Rule 15's policy of favoring amendments to
18 pleadings should be applied with "extreme liberality." Id.; DCD
19 Programs, Ltd. v. Leighton, 833 F.2d 183, 186 (9th Cir. 1987)
20 (citations omitted).

21 The Supreme Court has identified four factors relevant to
22 whether a motion for leave to amend should be denied: undue delay,
23 bad faith or dilatory motive, futility of amendment, and prejudice
24 to the opposing party. Foman v. Davis, 371 U.S. 178, 182 (1962).
25 The Ninth Circuit holds that these factors are not of equal weight;
26 specifically, delay alone is insufficient ground for denying leave
27 to amend. Webb, 655 F.2d at 980. Further, the "liberality in
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1 granting leave to amend is not dependent on whether the amendment
2 will add causes of action or parties." DCD Programs, 833 F.2d at
3 186. Rather, the court should consider whether the proposed
4 amendment would cause the opposing party undue prejudice, is sought
5 in bad faith, or constitutes an exercise in futility. Id. (citing
6 Acri v. Int'l Ass'n of Machinists & Aerospace Workers, 781 F.2d
7 1393, 1398-99 (9th Cir. 1986); United States v. City of Twin Falls,
8 806 F.2d 862, 876 (9th Cir. 1986); Howey v. United States, 481 F.2d
9 1187, 1190-91 (9th Cir. 1973); Klamath-Lake Pharm. Ass'n v. Klamath
10 Med. Serv. Bureau, 701 F.2d 1276, 1293 (9th Cir. 1983)).

11 Prejudice typically arises where the opposing party is
12 surprised with new allegations which require more discovery or will
13 otherwise delay resolution of the case. See, e.g., Acri, 781 F.2d
14 at 1398-99; Guthrie v. J.C. Penney Co., 803 F.2d 202, 210 (5th Cir.
15 1986). The party opposing the motion bears the burden of showing
16 prejudice. DCD Programs, 833 F.2d at 186; Beeck v. Aquaslide 'N'
17 Dive Corp., 562 F.2d 537, 540 (8th Cir. 1977).

18 DISCUSSION

19 Plaintiffs seek leave to amend their complaint in two general
20 areas. First, Plaintiffs seek leave to include allegations about
21 five additional sensors that were not mentioned in their first
22 amended complaint (FAC). Plaintiffs also seek leave to allege
23 infringement under 35 U.S.C. § 271(f) based on Defendants'
24 distribution of software created in the United States to foreign
25 manufacturers. Plaintiffs allege that they only recently
26 discovered the existence of the other sensors and Defendant's
27 distribution of essential software components from the United
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1 States to foreign manufacturers.¹

2 I. Additional Sensors

3 Plaintiffs argue that they were unaware of five additional
4 infringing sensors, EntrePad Sensors AES 2500, 2550, 2810, 1710 and
5 1711, until they were disclosed during depositions of Defendant's
6 employees and Rule 30(b)(6) witnesses.² Defendant counters that
7 the proposed amendment is not necessary because Plaintiffs are not
8 required to name every infringing product in their complaint under
9 the notice pleading requirements of Federal Rule of Civil Procedure
10 8. Defendant notes that the FAC alleges that "AuthenTec has been
11 and still is offering for sale, selling, marketing, using and
12 importing biometric sensors, including the following." FAC ¶ 12.
13 Defendant argues that "this allegation is more than sufficient to
14 cover all biometric sensors sold by AuthenTec" and contends that it
15 "has provided all necessary discovery on these products, despite
16 their omission from the complaint and the initial infringement
17 contentions." Opposition at 5. In other words, Defendant concedes
18 that Plaintiffs need not amend their complaint to pursue claims
19 based on the additional sensors.

20 However, Defendant argues that such an amendment would not be
21 sufficient to allow Plaintiffs to pursue claims based on these

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23 ¹Plaintiffs also seek to amend their complaint to state
24 correctly the principal place of business of Plaintiff Atmel SARL.
This amendment is not necessary.

25 ²Plaintiffs also seek to add allegations about two pieces of
26 Defendant's software, AuthenTec Performance Analysis Tool (PAT) and
27 AuthenTec Software Development Kit (SDK). However, it appears that
these two pieces of software are relevant only to Plaintiffs'
proposed § 271(f) claim discussed below.

1 products pursuant to Patent Local Rule 3-1(b), which requires
2 Plaintiffs to include in their Disclosure of Asserted Claims and
3 Preliminary Infringement Contentions, "each accused apparatus,
4 product, device, process, method, act, or other instrumentality."
5 Defendant states that, if Plaintiffs had "appropriately requested
6 to serve infringement contentions on these products, [it] would
7 have stipulated to permit Atmel to serve supplemental contentions"
8 on the 2500, 1710 and 2810 sensors." Opposition at 5.

9 In the interest of judicial economy, the Court will consider
10 whether Plaintiffs have met the requirements of Patent Local Rule
11 3-7, which, like Federal Rule of Civil Procedure 16, requires a
12 "showing of good cause" in order to allow amendment of infringement
13 contentions. Patent L.R. 3-7. Because Defendant states that it
14 would stipulate to supplemental contentions regarding the 2500,
15 1710 and 2810 sensors, the Court grants Plaintiffs leave to serve
16 such contentions.

17 Defendant's only argument against amendment to allow claims
18 regarding the remaining products, the 1711 and 2550 sensors, is
19 that they are still in development and not being sold. Therefore,
20 Defendant argues that the products do not give rise to liability
21 under the patent laws. Plaintiffs assert that they seek to pursue
22 claims based on the 1711 and 2550 sensors because they learned
23 during the November 28, 2007 deposition of Defendant's employee Art
24 Stewart that Defendant is selling the two sensors. Plaintiffs'
25 counsel first asked Stewart, "has AuthenTec sold any AES 1711
26 products?" McKenzie Decl., Ex. 8 at 148. Stewart responded, "It's
27 very early in the product life. So, we might still be shipping
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1 pre-production samples for that part. So, I would say sold, maybe
2 not yet." Id. Although this statement does not unambiguously
3 establish that AuthenTec has sold the 1711 sensor, 35 U.S.C.
4 § 271(a) provides that making, using and offering to sell
5 infringing products can give rise to liability. The creation of
6 pre-production samples is enough, at this stage, to support a claim
7 under § 271(a). Plaintiffs also asked Stewart if AuthenTec had
8 begun providing the 2550 sensor to its customers. Stewart
9 responded, "I believe we are now selling that to Fujitsu PC." Id.
10 at 149. Defendant states only that Stewart "was incorrect" but
11 provides no declaration or evidence in support of its contention
12 that "the 2550 is still in development." Opposition at 6 n.3.

13 Plaintiffs have demonstrated that they recently discovered
14 that Defendants are making and selling the 1711 and 2550 sensors.
15 In doing so, Plaintiffs have demonstrated good cause for allowing
16 them to amend their infringement contentions as required by Patent
17 Local Rule 3-7.

18 Plaintiffs assert that they will need additional discovery in
19 order to supplement their infringement contentions, but have not
20 formally requested modification of the case management order's
21 December 21, 2007 discovery deadline. Defendant argues that it has
22 already produced all relevant documents related to these products.
23 However, Plaintiffs state that they need "data sheets" for the 2810
24 and 1710 sensors. In the interest of judicial economy, the Court
25 orders Defendant to produce any such documents within one week of
26 the date of this order or to file a certification that it has
27 already produced such documents or that they do not exist.

1 If Plaintiffs intend to seek other additional discovery, they
2 shall, within two weeks of the date of this order, file a Rule 16
3 motion seeking an extension of the discovery deadline, describing
4 with specificity the information they intend to seek and why they
5 were not able to obtain that information prior to the discovery cut
6 off. If Plaintiffs do not intend to seek additional discovery,
7 they shall serve any supplemental infringement contentions within
8 that time.

9 II. Section 271(f) Claim

10 Plaintiffs next seek to amend their complaint to include a
11 § 271(f) claim. Title 35 U.S.C. § 271(f)(1), creates liability for

12 (1) Whoever without authority supplies or causes to be
13 supplied in or from the United States all or a
14 substantial portion of the components of a patented
15 invention, where such components are uncombined in
16 whole or in part, in such manner as to actively induce
the combination of such components outside of the
United States in a manner that would infringe the
patent if such combination occurred within the United
States, shall be liable as an infringer.

17 (2) Whoever without authority supplies or causes to be
18 supplied in or from the United States any component of
19 a patented invention that is especially made or
20 especially adapted for use in the invention and not a
21 staple article or commodity of commerce suitable for
22 substantial noninfringing use, where such component is
uncombined in whole or in part, knowing that such
component is so made or adapted and intending that such
component will be combined outside of the United States
in a manner that would infringe the patent if such
combination occurred within the United States, shall be
liable as an infringer.

23 Plaintiffs argue that they recently learned that Defendant supplies
24 essential software to foreign customers. Plaintiffs further argue
25 that those customers use the software in combination with foreign-
26 produced semiconductors in a manner that infringes the patents in
27 suit.

1 Defendant counters that Plaintiffs cannot demonstrate good
2 cause under Rule 16 to permit this late amendment. Further,
3 Defendant argues that, even if Plaintiffs are permitted to modify
4 the case management schedule, the proposed amendment is futile and
5 should not be allowed under Rule 15.

6 Because the Court finds that Plaintiffs' claims are foreclosed
7 by Microsoft Corp. v. AT&T Corp., 127 S. Ct. 1746 (2007), and are
8 therefore futile, it does not address the sufficiency of
9 Plaintiffs' showing under Rule 16. In Microsoft, the Supreme Court
10 held that software "abstracted from a tangible copy" is simply
11 information that does not constitute a component supplied from the
12 United States for purposes of § 271(f). Id. at 1755. The Supreme
13 Court found, "The master disk or electronic transmission Microsoft
14 sends from the United States is never installed on any of the
15 foreign-made computers in question." Id. at 1751. Rather, the
16 foreign manufacturers made copies of the software, which were
17 ultimately installed. Id. Therefore, the Supreme Court held,
18 "Because Microsoft does not export from the United States the
19 copies actually installed, it does not 'supply from the United
20 States' 'components' of the relevant computers, and therefore is
21 not liable under § 271(f) as currently written." Id. In other
22 words, "the very components supplied from the United States, and
23 not copies thereof, trigger § 271(f) liability when combined abroad
24 to form the patented invention at issue." Id. at 1757.

25 According to Plaintiffs, Defendant supplies its software
26 electronically to customers overseas. Therefore, Plaintiffs
27 attempt to distinguish Microsoft by arguing that the "master copy
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1 of the software remains in the United States." Motion at 11.
2 However, Microsoft also addressed "the electronic transmission" of
3 the software at issue there and held that such transmissions are
4 not themselves installed on the computers. Rather, the
5 transmissions are copied onto the receiving computer and then
6 copied for installation on the products in question.

7 Therefore, the Court finds that Plaintiffs' proposed § 271(f)
8 claim is futile.

9 CONCLUSION

10 For the foregoing reasons, the Court GRANTS IN PART and DENIES
11 IN PART Plaintiffs' motions to modify the case management order and
12 DENIES Plaintiffs' motion for leave to file a SAC. Unless
13 Plaintiffs intend to seek leave to conduct additional discovery,
14 they shall file amended infringement contentions within two weeks
15 of the date of this order.

16 IT IS SO ORDERED.

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18 Dated: 1/31/08



CLAUDIA WILKEN
United States District Judge